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OFFICE OF INTERNATIONAL  
CORPORATE FINANCE



FILE NO. 82-4861

September 3, 2004

VIR AIR MAIL

Office of International Corporate Finance  
Division of Corporation Finance  
Securities and Exchange Commission  
450 Fifth Street, N.W.  
Washington, D.C. 20549

MegaChips Corporation

SUPPL

Dear Sirs:

We are acting as legal counsels to MegaChips Corporation (the "Company") with respect to its offering of shares in the States. Pursuant to Rule 12g-3(2)(b) under the Securities Exchange Act of 1934, we are forwarding the following document published by the Company in Japan.

- Brief Statement of Financial and Operating Results for the First Quarter of the Year ending March 31, 2005 (dated July 30, 2004) (English excerpt translation)

Yours very truly,

PROCESSED

SEP 13 2004

THOMSON  
FINANCIAL

Kunio Aoki

Encl.

cc: MegaChips Corporation  
Shimpson Thacher & Bartlett

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Washington, DC

(Excerpt translation)

July 30, 2004

**BRIEF STATEMENT OF FINANCIAL AND OPERATING RESULTS  
FOR THE FIRST QUARTER OF THE YEAR ENDING MARCH 31, 2005  
(CONSOLIDATED)**

Name of listed company: **MegaChips Corporation**

(Code number: 6875 Tokyo Stock Exchange, First section)

(URL <http://www.megachips.co.jp/>)

Representative: **Shigeki Matsuoka**  
President and Representative Director

Person to contact: **Masayuki Fujii**  
Director and Executive Officer  
(TEL: (06) - 6399-2884)

1. Matters concerning the preparation of quarterly financial information:

(Translation omitted)

2. Summary of the operating results for the first quarter of the year ending March 31, 2005  
(from April 1, 2004 to June 30, 2004):

(1) Development of operating results (consolidated):

	First quarter of the year ending March 31, 2005	First quarter of the year ended March 31, 2004	(For reference) Year ended March 31, 2004
Sales.....	¥7,136 million (54.8%)	¥4,611 million (-%)	¥25,878 million
Operating profit .....	¥687 million (418.2%)	¥132 million (-%)	¥1,508 million
Ordinary profit.....	¥676 million (-%)	¥ - million (-%)	¥1,460 million
Profit for the quarter (year).....	¥347 million (-%)	¥ - million (-%)	¥280 million
Per-share profit for the quarter (year).....	¥13.75	¥-	¥10.09
Fully diluted earnings per share for the quarter (year).....	¥-	¥-	¥-

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- **Overview of operating results in general**

The Japanese economy during the first quarter under review has continued to register tones of slow recovery as corporate earnings have shown signs of improvement and the market of digital consumer equipment, including digital TVs, digital cameras and DVD recorders/players, and mobile phones has expanded. Consumer confidence has been improved by these corporate efforts to develop new products.

Under these circumstances, the Group (including the Company and its affiliated companies; the same applies hereinafter) focused its efforts on developing and marketing customer-specific LSIs (ASIC), the core of its business, as well as application-specific LSIs (ASSP), which have competitive edges with the Group's unique technologies of image compression and extension and sound and music compression, extension and transmission, and original system products mounted with the Group's system LSIs.

Specifically, with the prevalence of digitalization of images, sounds, music and other media, broadband networks and 3G mobile phone networks, the Group has widened its appeal in the information communication area. For the growing area, the Group has exerted its active efforts to develop and market sophisticated system LSIs for digital cameras and system LSIs for 3G mobile phones, as well as system products for transmitting and recording digital images, specifically, for use in the security and monitoring area.

As a result, on a consolidated basis, sales amounted to ¥7,136 million (a 54.8% increase from the corresponding period of the previous business year). Operating profit, ordinary profit and profit for the quarter amounted to ¥687 million (a 418.2% increase), ¥676 million and ¥347 million, respectively.

- **Overview of operating results by segment**

(Translation omitted)

(2) Development of financial conditions (consolidated):

	First quarter of the year ending March 31, 2005	First quarter of the year ended March 31, 2004	(For reference) Year ended March 31, 2004
Total assets .....	¥18,922 million	-	¥18,183 million
Net worth (owned capital).....	¥15,433 million	-	¥15,371 million
Ratio of net worth to total liabilities and net worth .....	81.6%	-	84.5%
Net worth (owned capital) per share ..	¥611.10	-	¥607.49

[State of consolidated cash flows]

	First quarter of the year ending March 31, 2005	First quarter of the year ended March 31, 2004	(For reference) Year ended March 31, 2004
Cash flows from operating activities	(-)¥3,704 million	-	¥6,174 million
Cash flows from investing activities	(-) ¥77 million	-	¥140 million
Cash flows from financing activities	(-) ¥194 million	-	(-) ¥707 million
Cash and cash equivalents at the end of the quarter (year)	¥ 7,759 million	-	¥11,734 million

(Note) The disclosure of quarterly financial conditions has commenced as from the first quarter of the current business year. Hence, no financial conditions for the first quarter of the previous business year are given herein.

- Development of financial conditions (consolidated)

(Translation omitted)

- State of cash flows

(Translation omitted)

3. Forecasts of consolidated operating results for the year ending March 31, 2005 (from April 1, 2004 to March 31, 2005):

Amendment is made to the forecasts of consolidated operating results for the year ending March 31, 2005, as given on May 14, 2004, as described below.

No amendment is made to the forecasts of non-consolidated operating results for the year ending March 31, 2005.

[Forecasts of consolidated operating results for the year ending March 31, 2005]

(millions of yen)						
	Sales		Ordinary profit		Profit for the period	
	First six months	Whole- year period	First six months	Whole- year period	First six months	Whole- year period
Previous forecast (A)	11,900	24,930	530	1,500	100	520
Adjusted forecast (B)	14,600	27,230	970	1,570	330	550
Amount of increase or decrease (B-A)	2,700	2,300	440	70	230	30
Rate of increase or decrease (%)	22.7	9.2	83.0	4.7	230.0	5.8
(For reference) Previous results (for the year ended March 31, 2004)	11,842	25,878	733	1,460	26	280

- **Reason for the adjustments to the forecasts of operating results**

(Translation omitted)

- **Notice on the forecasts of operating results**

(Translation omitted)

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## CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST QUARTER

### 1. Consolidated Balance Sheets for the First Quarter (Condensed)

(thousands of yen)

	First quarter ended June 30, 2004 (as at June 30, 2004)	Year ended March 31, 2004 (as at March 31, 2004)
<b><u>ASSETS</u></b>		
<b>I. Current assets</b>		
1. Cash and deposits .....	7,759,587	11,734,446
2. Trade notes and trade accounts receivable .....	8,270,244	3,639,078
3. Inventories .....	1,405,206	1,203,521
4. Others .....	192,663	297,269
5. Allowance for doubtful receivables .....	- 924	- 1,804
Total current assets	17,626,777	16,872,511
<b>II. Fixed assets</b>		
1. Tangible fixed assets .....	375,102	380,784
2. Intangible fixed assets .....	246,381	223,483
3. Investments and other assets .....	674,239	706,416
Total fixed assets	1,295,723	1,310,683
<b>TOTAL ASSETS</b>	<b>18,922,501</b>	<b>18,183,195</b>
<b><u>LIABILITIES</u></b>		
<b>I. Current liabilities</b>		
1. Trade accounts payable .....	2,370,155	2,013,337
2. Accrued corporate income taxes .....	358,627	6,054
3. Others .....	672,969	697,421
Total current liabilities	3,401,752	2,716,813
<b>II. Fixed liabilities</b>	86,958	94,695
<b>TOTAL LIABILITIES</b>	<b>3,488,710</b>	<b>2,811,509</b>
<b><u>SHAREHOLDERS' EQUITY</u></b>		
<b>I. Capital</b>	4,840,313	4,840,313
<b>II. Capital surplus</b>	6,181,300	6,181,300
<b>III. Retained earnings</b>	5,715,643	5,650,018
<b>IV. Valuation difference of other securities</b>	- 495	2,834
	16,736,761	16,674,467
<b>V. Treasury stock</b>	- 1,302,971	- 1,302,781
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>15,433,790</b>	<b>15,371,686</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>18,922,501</b>	<b>18,183,195</b>

## 2. Consolidated Profit and Loss Statements for the First Quarter (Condensed)

	(thousands of yen)	
	First quarter ended June 30, 2004 (from April 1, 2004 to June 30, 2004)	Year ended March 31, 2004 (from April 1, 2003 to March 31, 2004)
<b>I. Sales</b>	7,136,719	25,878,984
<b>II. Cost of sales</b>	5,499,684	20,218,951
Gross profit on sales	1,637,034	5,660,032
<b>III. Selling, general and administrative expenses</b>	949,424	4,151,454
Operating profit	687,610	1,508,578
<b>IV. Non-operating profit</b>	1,013	10,995
<b>V. Non-operating expenses</b>	11,898	58,927
Ordinary profit	676,725	1,460,646
<b>VI. Special income</b>	16,715	89,686
<b>VII. Special loss</b>	795	715,519
Income before income taxes and others .....	692,646	834,812
Interperiod tax allocation.....	345,460	877,161
Minority interest in net profit/loss .....	-	- 322,778
Profit for the quarter (year).....	347,185	280,430

## 3. Consolidated Surplus Statements for the First Quarter (Condensed)

(thousands of yen)				
	First quarter ended June 30, 2004 (from April 1, 2004 to June 30, 2004)		Year ended March 31, 2004 (from April 1, 2003 to March 31, 2004)	
(Capital surplus)				
<b>I. Beginning balance of capital surplus</b>		6,181,300		5,936,081
<b>II. Increase in capital surplus</b>				
1. Issuance of new shares by share exchange ..	-	-	245,219	245,219
<b>III. Ending balance of capital surplus</b>		6,181,300		6,181,300
(Retained earnings)				
<b>I. Beginning balance of retained earnings</b>		5,650,018		5,549,740
<b>II. Increase in retained earnings</b>				
1. Profit for the quarter (year).....	347,185		280,430	
2. Increase in retained earnings due to decrease in consolidated subsidiaries .....	-	347,185	63,629	344,059
<b>III. Decrease in retained earnings</b>				
1. Cash dividends.....	252,560		243,781	
2. Bonuses for officers.....	29,000	281,560	-	243,781
<b>IV. Ending balance of retained earnings</b>		5,715,643		5,650,018

## 4. Consolidated Statements of Cash Flows for the First Quarter (Condensed)

	(thousands of yen)	
	First quarter ended June 30, 2004 (from April 1, 2004 to June 30, 2004)	Year ended March 31, 2004 (from April 1, 2003 to March 31, 2004)
<b>I. Cash flows from operating activities</b>		
Income before income taxes and others .....	692,646	834,812
Depreciation .....	37,028	200,817
Amortization of long-term prepaid expenses .....	18,493	76,704
Increase (decrease) in allowance for doubtful receivables .....	(880)	20,371
Increase (decrease) in allowance for bonuses .....	67,407	(6,794)
(Increase) decrease in trade accounts receivable .....	(4,631,166)	4,363,964
(Increase) decrease in inventories .....	(201,684)	1,500,171
Increase (decrease) in trade accounts payable .....	356,468	(1,013,787)
Others .....	(37,278)	742,340
Subtotal .....	(3,698,966)	6,718,603
Interest and dividend income .....	69	201
Interest paid .....	-	(2,194)
Corporate income taxes paid .....	(6,057)	(542,303)
Net cash provided by operating activities .....	(3,704,954)	6,174,306
<b>II. Cash flows from investing activities</b>		
Purchase of tangible fixed assets .....	(11,390)	(22,967)
Purchase of intangible fixed assets .....	(46,404)	(82,685)
Purchase of investment securities .....	-	(20,047)
Sale of investment securities .....	25,011	106,255
Liquidation of related company .....	-	130,904
Distribution of capital investment .....	-	2,331
Payment for long-term prepaid expenses .....	(44,374)	(74,677)
Guarantee .....	(747)	(3,552)
Refund of guarantee .....	501	104,160
Others .....	-	1,219
Net cash provided by investing activities .....	(77,404)	140,941
<b>III. Cash flows from financing activities</b>		
Net decrease in short-term loans payable .....	-	(50,000)
Net increase in treasury stock .....	(189)	(415,442)
Cash dividends by parent company .....	(194,653)	(242,435)
Net cash provided by financing activities .....	(194,843)	(707,878)
<b>IV. Translation gain (loss) related to cash and cash equivalents</b>	2,343	(10,088)
<b>V. Net increase (decrease) in cash and cash equivalents</b>	(3,974,858)	5,597,281
<b>VI. Cash and cash equivalents at beginning of the quarter (year)</b>	11,734,446	6,337,127
<b>VII. Decrease in cash and cash equivalents due to decrease in consolidated subsidiaries</b>	-	(199,962)
<b>VIII. Cash and cash equivalents at end of the quarter (year)</b>	7,759,587	11,734,446